

	Department of Administration State of Montana Issued by: The Risk Management & Tort Defense Division Subject: Property Insurance Program A summary of the state's property insurance program requirements and insurance coverages. This document should be placed in agencies' copies of the Risk Management Program Binder, Section XIV, Supplemental policies.	Number: N/A
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DESCRIPTION

In accordance with 2-9-101, MCA and §2-9-305, MCA the State of Montana pays, through the state self-insurance fund or commercial insurance proceeds, the cost of restoring most state property that is stolen, damaged, or destroyed. The purpose of insurance is to restore property needed for the operation of the state. The Insurance Fund is meant to reimburse for accidental loss, not to substitute for state agency duty to prevent and reduce loss or to maintain good repair. **This document is not an insurance policy**, however, it provides a broad overview of program requirements for state agencies that participate in the state's property insurance program as well as a summary of insurance coverage. Do not attempt to interpret coverage, limits, or exclusions and apply these to state activities without contacting the Risk Management & Tort Defense Division. Specific exclusions, limits, or coverage may apply.

A. INSURING AGREEMENT

The state's commercial insurance policy is extended to cover direct physical loss or damage to property at premises as described in the master statement of values.

B. COVERAGE

Coverage is provided for covered property and covered costs and expenses:

1. COVERED PROPERTY

a. BUILDING(S)

Means state buildings and structures including completed additions, fixtures (including outdoor fixtures), machinery, equipment, personal property owned by the state used to maintain buildings and grounds. If not otherwise covered, it also means additions under construction, alterations, or repairs to state buildings and structures.

b. BUSINESS PERSONAL PROPERTY

Means furniture, fixtures, "stock," labor, materials, interest in tenant improvements made part of the building not owned by the state or acquired at the state's expense, but which the state is not permitted to

move. Personal property of others (including the state's employees) that is in the care, custody, and control of the state for which the state has agreed in writing prior to the loss. Business personal property does not include "Electronic Data Processing Equipment" or media.

c. *ELECTRONIC DATA PROCESSING EQUIPMENT AND MEDIA*

"Electronic Data Processing Media" means electronic data processing, recording, or storage media such as films, tapes, discs, cells, or data stored on such media; and original programming materials used to enter data and/or program media.

"Electronic Data Processing Equipment" means electronic data processing equipment, facsimile, machines, word processors, multi-functional telephone equipment; laptop and portable computers; related surge protection devices; and their component parts and peripherals used solely for data processing.

d. *ACCOUNTS RECEIVABLE*

Accounts receivable including records stored on electronic data processing media and credit cards until delivered to the credit card company within 1,000 feet of a state building are covered as follows:

1. All sums due to the state from customers, provided the state is unable to effect collection thereof as the direct result of loss or damage to records or accounts receivable;
2. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
3. Collection expense in excess of normal collection cost and made necessary because of such loss or damage;
4. Other expenses, when reasonably incurred by the state in re-establishing records or accounts receivable following such loss or damage.
5. Bookkeeping, accounting or billing errors, alteration, falsification, manipulation, concealment, destruction of records, and audit expenses to prove factual existence are not covered.

e. **VALUABLE PAPERS AND RECORDS**

Valuable papers and records within 1,000 feet of state premises are covered.

f. **NEWLY CONSTRUCTED OR ACQUIRED PROPERTY**

Buildings newly acquired, buildings in construction on state property, buildings in construction on other than state property, all within 1,000 feet of a state building. Coverage ends when the insurance policy expires, 120 days after construction or acquisition, when the state reports the property to the insurance carrier, or where the property is more specifically insured somewhere else.

g. **OUTDOOR PROPERTY**

This insurance applies to loss or damage to vehicles garaged within 1,000 feet of a state building and rolling stock owned by the Montana Heritage Commission at Virginia City/Nevada City.

h. **COVERED PROPERTY AT UNDESCRIBED PREMISES**

Property at an "exhibition" including while in transit to and from the site. Coverage otherwise applies worldwide except within any country on which the United States has imposed sanctions, embargoes, or any other similar prohibitions.

i. **PROPERTY "IN-TRANSIT"**

Property "in-transit" in due course between state premises and other policy territory, including inland and coastal waters and air space. Coverage applies to general salvage charges incurred and loss of covered property occasioned by unintentional acceptance of fraudulent bills of lading, shipping receipts, or consigned items. Coverage does not apply to shipments by postal service. Coverage does not apply to export shipments once the earlier of the following occurs:

1. The shipment is placed on the export conveyances; or coverage under an ocean marine or other policy begins.
2. Any import shipment until the later of the shipment is unloaded from an importing vessel or coverage under another insurance policy ends.
3. Theft from a conveyance or container while unattended unless the

portion of the conveyance or container is fully closed and securely locked and theft is by forcible entry.

4. Property of others for which the insured is responsible while acting as a common or contract carrier, freight forwarder, freight consolidator, freight broker, or warehouseman.

j. **COVERED PROPERTY OVERSEAS**

Coverage applies to property while in the custody of a state employee while temporarily traveling outside of the policy territory but this coverage DOES NOT apply to covered property at, or in the due course of transit, to or from, an "exhibition."

2. COVERED COSTS AND EXPENSES

a. **DEBRIS REMOVAL**

Coverage applies to necessary and reasonable expenses incurred by the state to remove debris, other than "Outdoor Property" provided the loss is reported within 180 days of the date of loss. For debris removal, the policy pays 25% of the amount of the direct physical loss plus the deductible unless the sum of the direct physical loss exceeds the limits specified in the policy. This policy also pays an additional amount, up to the limit of insurance specified in the supplemental coverage for debris removal.

b. **POLLUTANT CLEANUP AND REMOVAL**

Coverage applies to necessary and reasonable expense incurred by the state to extract "pollutants" from land or water if the release or escape of pollutants is caused by a "specified cause of loss" during the policy period. Coverage does not apply to costs to test for, monitor, or assess the existence, concentration, or effects of "pollutants."

c. **CLAIM DATA EXPENSE**

Coverage applies to reasonable expenses incurred in preparing claim data including inventories, appraisals, document preparation, etc. Expenses associated with adjusters or their associates or subsidiaries are not covered.

d. FIRE DEPARTMENT SERVICE CHARGE

Coverage applies to any fire departmental service charge incurred by the state assumed by contract or required by local ordinance.

e. FIRE PROTECTIVE EQUIPMENT DISCHARGE

Coverage applies to damage from protective equipment discharge including the costs to refill or recharge the system with extinguishing agents and to replace or repair faulty valves or controls that caused the discharge.

f. ORDINANCE OR LAW

Coverage applies when damage to property from enforcement of a law or ordinance (including zoning or land use), arises from a covered cause of loss. Coverage includes demolition of the undamaged portion of a building. Expenses are limited to actual costs to demolish and clear the site or another premises, if required by law or ordinance, and are limited to the minimum requirements of such ordinance or law regulating the repair or reconstruction on the same site at the time of loss. Ordinance or law coverages do not apply to "vacant" properties, failure to comply with ordinances or laws, or costs to test, monitor, or clean up the site.

g. PRESERVATION OF PROPERTY

If it becomes necessary to move covered property from an uninsured premises to preserve it from loss or damage by a covered cause of loss, insurance coverage will pay for the necessary or reasonable expenses to remove the property and any direct physical loss or damage to property while it is being moved or while temporarily stored at another location. Coverage applies only if the loss occurs within 90 days after the property is first moved and will cease when the property is amended to provide insurance at the new location, the property is returned to existing location, or the state's insurance policy is cancelled or expires, whichever occurs first.

h. WATER, OTHER LIQUIDS, POWDER, OR MOLTEN MATERIAL

Coverage applies when water, other liquid, powder, or molten material damage occurs. Expenses covered include costs to tear out and replace any part of the building or structure from which the substance escapes.

i. EXTRA AND EXPEDITING EXPENSES

Coverage applies to reasonable and necessary expenses to avoid or minimize the suspension of business and to continue operations at 1) the state's premises or 2) replacement premises or temporary locations (including relocation expenses. Coverage also applies to the costs to equip and operate the replacement premises or temporary locations, repair or replace any property, and research, replace, or restore lost information on damaged valuable papers and records.

j. VALUABLE PAPERS AND RECORDS

"Valuable Papers and Records" and "Electronic Data Processing Data and Media" expenses will covered as follows:

1. State's cost to research, replace, or restore information lost, damaged, or destroyed for which duplications do not exist;
2. Cost of blank materials or media and the cost of copying data onto blank materials or media when duplicates of the papers, records, or data exist;
3. Cost of blank materials or media of the same kind and quality if the papers, records, or data are not replaced.
4. At the specified amount per article for those activities which are specifically declared, described, and valued in a schedule forming part of the state's policy.

C. PROPERTY AND COSTS NOT COVERED

Coverage does not apply to:

1. Currency, deeds, or other evidence of debt, money, notes, checks, drafts, or securities;
2. Contraband, or property in the course of illegal transportation;

3. Water, above and below ground;
4. Land or improvements to land, including grain, hay, straw, harvested crops, growing crops, or standing timber;
5. Cost of excavations, grading, backfilling, or filling;
6. Property sold by the state under an installment plan, conditional sale, trust agreement, or deferred payment plan after delivery to purchasers;
7. Vehicles or self-propelled machines that are licensed for use on public roads or operated principally away from state premises;
8. Aircraft or watercraft;
9. Live animals or birds;
10. Bulkheads, pilings, piers, wharves, docks, dikes, dams, canals, sea walls, or vehicular bridges;
11. Underground tanks, pipes, flues, drains or tunnels;
12. Any EDP data and media which is obsolete and unused by the state;
13. Property under another policy;

D. EXCLUSIONS

1. *NUCLEAR HAZARDS*

Nuclear reaction, radiation or contamination, however caused, except resultant damage stemming from fire or sudden and accidental contamination to property.

2. *WAR AND MILITARY ACTION*

Hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an expected attack. Insurrection, rebellion, or revolution. Discharge, explosion, or use of a weapon of war employing nuclear fusion is presumed to be a hostile or warlike action.

3. *COMPUTER VIRUS*

Computer virus means intrusive codes or programming entered into a computer system causing direct physical loss or damage to, or destruction of, "Electronic Data Processing Equipment or Media." The exclusion will not apply in the event Programming errors, omissions, or incorrect instructions to a machine result in a "specified cause of loss."

4. PROGRAMMING ERRORS OR OMISSIONS

Programming errors, omissions, or incorrect instructions to a machine, unless the errors or omissions result in a “specified cause of loss”

5. COLLAPSE OF BUILDINGS

Collapse of buildings meaning an abrupt falling down or caving in of a building or substantial portion of a building, a building or portion thereof in imminent danger of falling down, or suffers a substantial impairment of structural integrity with the result being that the building cannot be occupied. Coverage does not apply unless the collapse arises from a covered cause of loss, decay, weight of people or property, weight of rain that collects on a roof, use of defective material during construction, use of defective material after construction is complete if the cause of loss is one of those listed in this section. As respects imminent collapse, coverage only applies if the state of collapse first manifests itself during the policy period and is caused by fire, lighting, explosion, windstorm, hail, aircraft or vehicles, riot or civil commotion, sinkholes, weight of snow/ice/sleet; weight of people or property; weight of rain; or use of defective materials if the collapse occurs during construction, or wear and tear. Many other conditions apply.

E. LIMITATIONS

- 1, Physical damage or loss caused by or resulting from an explosion of gases inside within a furnace. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside the boilers or equipment.
2. Limitation of \$50,000 as respects fur, garments trimmed with fur, jewelry, watches, jewels, pearls, precious and semi-precious stones, bullions, gold, silver, platinum, and other precious allows.
3. No coverage for cost to repair any defect to a system or appliance from which water, other liquid, or molten material escapes unless the damage results from discharge of any substance from an automatic fire protection system or is caused by freezing.

F. DEDUCTIBLES (i.e SELF-INSURED RETENTIONS)

The state’s retention shall be as follows:

\$	1,000	Per agency, per occurrence for all perils.
\$	250,000	Per state self-insurance fund, per occurrence for all perils, except as follows:
\$	1,000,000	Earthquake per occurrence (combined property damage and business interruption)
\$	500,000	Flood per occurrence (combined property damage and business interruption)
	\$500,000	Business Interruption, included in per occurrence deductible. Extra expense, included in the per occurrence deductible. Limit to the left applies to any other covered loss.

G. DEFINITIONS

“Electronic Data Processing Media” means electronic data processing, recording, or storage media such as films, tapes, discs, cells, or data stored on such media; and original programming materials used to enter data and/or program media.

“Electronic Data Processing Equipment” means electronic data processing equipment, facsimile, machines, word processors, multi-functional telephone equipment; laptop and portable computers; related surge protection devices; and their component parts and peripherals used solely for data processing.

“Exhibition” means the temporary display of personal property at a convention, exposition, trade show, or similar event at a location not owned or regularly occupied by the state.

“Fine Arts” means paintings, etchings, pictures, tapestries, art glass windows, valuable rugs, statuary, marbles, bronzes, antique furniture, rare books, antique silver, manuscripts, porcelains, rare glass, bric-a-brac, and similar property of rarity, historical value, or artistic merit.

“Finished Stock” means goods manufactured by the state that in the ordinary course of the state’s business are in their completed state and ready for sale. Finished stock does not include goods manufactured by the state that are held for sale on the premises of any retail outlet insured under the

state's policy.

“Outdoor Property” means retaining walls not part of a building, lawns (including fairways, greens and tees, trees, shrubs, plants, bridges (excluding vehicular bridges), walks, roadways, patios, or other paved surfaces.

“Pollutants” means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, waste, and any unhealthy or hazardous building materials (including but not limited to asbestos, lead products, or materials containing lead). Waste includes materials to be recycled, reconditioned, or reclaimed.

“Raw Stock” means material in the condition in which the state receives it for conversion into “stock in process” or “finished stock.”

“Sinkhole Collapse” means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite.

This cause of loss does not include:

- a. the cost of filling sinkholes; or
- b. sinking or collapse of land into man made underground cavities.

“Specified Cause of Loss” means any of the following: fire, lightning, explosion, windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism, leaking from fire extinguishers; “sinkhole collapse;” “volcanic action;” falling objects; weight of snow; ice, or sleet; or water damage.

- a. Falling objects does not include loss or damage to:
 - (1) Personal property in the open; or
 - (2) The interior of a building, or property inside a building, unless the roof or an outside wall of the building is first damaged by a falling object.
- b. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system) containing water or steam.

“Stock” means merchandise held in storage or for sale;

“Stock in Process” means “raw stock” which has undergone aging, seasoning, mechanical, or other process of manufacturing, but which has not become “finished stock.”

“Vacant” means:

- a. When 90% or more of the square footage of the entire building is not rented or used to conduct customary operations.
- b. When a unit or suite rented or leased to a tenant does not contain enough Business Personal Property to conduct customary operations.

H. SUM INSURED

The insurance shall pay for direct physical loss or damage to covered property (i.e. buildings, business property, and personal property) at premises described in the most recent statement of values or other documentation on file with the insurance carrier. Coverage causes of loss means direct physical loss unless the loss is excluded.

The following limits apply;

\$11,262,315	Business Income (rental value included)/occurrence.
\$100,000,000	Earthquake per occurrence.
\$50,000,000	Flood per occurrence
\$2,500,000	Errors and Omissions per occurrence.
\$1,000,000	Transit, per conveyance
\$10,000,000	Automatic Coverage per occurrence: Newly Acquired Locations 120 days reporting
\$5,000,000	Electric Data Processing Media per occurrence
\$1,000,000	Service Interruption (Time Element) per occurrence
\$1,000,000	Debris removal (additional) above and beyond 25% of value of building.
\$5,000,000	Accounts Receivable per occurrence.
\$10,000,000	Valuable Papers per occurrence.

\$500,000	Overseas Property per occurrence.
\$25,000	Claim Data Expense per occurrence.
\$10,000,000	Ordinance or Law per occurrence.
\$5,000,000	Extra Expense per occurrence.
\$1,000,000	Builder's Risk per occurrence. Various sub-limits apply.

I. PROGRAM REQUIREMENTS

All state properties (buildings, contents, and special contents) must be listed on the state property/casualty insurance information system by April 15th each year. These reports include the following:

1. Estimated replacement cost must be reported for:
 - a. All owned property;
 - b. All borrowed, rented, or leased property in the state's possession or control for which the state is responsible for loss or damages; and
 - c. Property your agency intends to cover under any special plan (money & securities, boiler & machinery, electronic data processing, exceptional items).

J. LOSS SETTLEMENT

1. State agencies must report a loss no later than 5 days after it is discovered. Catastrophic losses must be reported as soon as possible, preferably within 24 hours after discovery of the loss.
2. The state's coverage will not exceed the least of the following:
 - a. The limit of liability provided for in this policy.
 - b. The actual expenditure for repairs or replacement of the damaged or destroyed property.
 - c. In the event of a loss, the Risk Management & Tort Defense Division may require records of agency ownership, control, and responsibility for damage. The division may also need to know how each agency determined its reported cost.

K. SPECIAL SERVICES

- A. State agencies that need coverage for something not mentioned or something excluded or limited by the state policy, are encouraged to contact the Risk Management & Tort Defense Division. The division may be able to form a plan of self-insurance to meet agency needs. Any plan we develop must be consistent with §2-9-201, MCA. The division may have to obtain legislative approval for the plan. The division may be able to obtain commercial insurance to meet your needs.
- B. The Risk Management & Tort Defense Division may be able to help a state agency develop a risk control plan that will remove or reduce the need for coverage.
- C. The division may also assist you to get an insurance appraisal on your property in order to assure that coverage is adequate.
- D. In addition, division staff may be able to help you pursue a claim against your contractor's insurance company. The extent of our assistance depends on agencies' needs, our expertise, and available resources.

L. REPORTING LOSSES

The ***State Report of Incident Form*** should be used. Claims shall be reported as soon as possible, preferably within five business days. Claims not reported within a practical and reasonable period of time may be denied. Attach supporting information, such as:

- 1. Evidence of state ownership or responsibility;
- 2. Repair estimates, photographs, other data on cost of damages; and
- 3. Information on any adverse party's insurance;
- 4. Evidence you complied with any conditions of payment specified in applicable Special Plans.

Sample forms may be found on the division's website under 'Claims' or in the Risk Management Program manual. You may photocopy them (front and back) as needed.

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